

Message Text

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ACTION EUR-12

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POUCHED ALL OTHER AMCONSUL CANADA

E.O. 11652: N/A
TAGS: EFIN, EINV, CA
SUBJECT: BANK ACT LEGISLATION

1. SUMMARY: RECENT NEWS ARTICLES ON NEW BANK ACT LEGISLATION
ATTRIBUTE SLIPPAGE IN INTRODUCTION OF BILL TO OPPOSITION
BY QUEBEC AUTHORITIES TO BRINGING NEAR BANKS, PARTICULARLY
CAISSE POPULAIRES, INTO NATIONAL CHECK-CLEARING SYSTEM AND
MAINTAINING RESERVES WITH BANK OF CANADA. FINANCE OFFICIAL
CONFIRMED QUEBEC OPPOSITION TO THIS GOC PROPOSAL BUT SAID
COMPLEX JOB OF DRAFTING NEW LEGISLATION WAS MAIN REASON WHY
LEGISLATION NOT INTRODUCED BEFORE CHRISTMAS AS ORIGINALLY
PROMISED BY FINMIN MACDONALD. ACCORDING OFFICIAL, LEGISLATION
WOULD STILL CONTAIN PROVISION ALLOWING FOREIGN BANKS OPERATE
AS CHARTERED BANKS. END SUMMARY

2. FINANCIAL POST AND OTHER CANADIAN NEWSPAPERS
HAVE RECENTLY CARRIED ARTICLES ON DELAY IN INTRODUCTION
OF NEW BANK ACT LEGISLATION. (CURRENT LEGISLATION
EXPIRES JUNE 30, 1977, AND FINMIN MACDONALD HAD SAID
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LAST FALL HE HOPED INTRODUCE NEW ACT BEFORE CHRISTMAS.)
ARTICLES ATTRIBUTE DELAY MAINLY TO QUEBEC OPPOSITION
TO GOC PROPOSAL FOR INCLUSION OF NEAR BANKS, IN-
CLUDING CAISSES POPULAIRES, IN NEW NATIONAL CHECK-
CLEARING SYSTEM AND MAINTAINING RESERVES WITH BANK OF
CANADA.

3. ARTICLES POINT OUT THAT CAISSES POPULAIRES AND NEW QUEBEC GOVERNMENT ARE STRONGLY OPPOSED TO RESERVE REQUIREMENTS BECAUSE THIS WOULD INCREASE FEDERAL CONTROL, AND THEY WANT MEMBERSHIP IN CLEARING SYSTEM TO BE VOLUNTARY. ARTICLES ALSO NOTE THAT CAISSES POPULAIRES HAVE LARGE DEGREE OF ECONOMIC POWER IN QUEBEC, WHERE THEY HAVE FOUR MILLION DEPOSITOR-MEMBERS IN PROVINCE OF 6.3 MILLION.

4. EMBOFF QUESTIONED H.L. TADMAN, CHIEF, FINANCIAL INSTITUTIONS, FINANCE DEPARTMENT, ABOUT DELAY IN INTRODUCING LEGISLATION. TADMAN SAID THAT MAJOR PROBLEM WAS IN DRAFTING NEW LEGISLATION TO CONFORM WITH OTHER BUSINESS AND CORPORATE LAW THAT HAD BEEN ENACTED DURING PAST TEN YEARS. MOST OF HIS DEPARTMENT'S BRIEFS ON PROPOSED CHANGES TO BANK ACT, ACCORDING TADMAN, WERE AT JUSTICE DEPARTMENT WHICH WAS "STRUGGLING" DRAFT NEW BILL.

5. "WE'VE HAD AN ELECTION IN QUEBEC SINCE THE GOC WHITE PAPER CAME OUT," SAID TADMAN, ACKNOWLEDGING THAT OPPOSITION TO PROPOSALS FOR DEALING WITH NEAR BANKS CAME MAINLY FROM QUEBEC. HOWEVER, OTHER PROVINCES HAD ALSO SUBMITTED RESERVATIONS ABOUT PROPOSALS FOR REGULATING PROVINCIALLY CHARTERED NEAR BANKS.

6. IN ANSWER TO QUERY ABOUT ULTRA-NATINALISTS' OPPOSITION TO ALLOWING FOREIGN BANKS TO OPERATE AS CHARTERED BANKS, TADMAN STATED THAT THIS GROUP HAS LIMITED OFFICIAL USE

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BEEN RELATIVELY QUIET UNTIL NOW BUT THAT HE EXPECTED GREATER CRITICISM OF BANK ACT FROM NATIONALISTS ONCE LEGISLATION INTRODUCED. IN ACTUAL FACT, SAID TADMAN, MOST FOREIGN BANKS WHICH INTEND TO OPERATE IN CANADA ARE ALREADY HERE AND GOC PROPOSALS WOULD ACKNOWLEDGE AND REGULARIZE THEIR OPERATIONS.

7. TADMAN THOUGHT JUSTICE DEPARTMENT WAS AIMING FOR LATE FEBRUARY AS DATE FOR PARLIAMENTARY SUBMISSION OF BANK ACT, BUT HE BELIEVED MARCH DATE WOULD BE MORE ACCURATE.
ENDERS

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